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SECURITY INFORMATION

5 February 1952

MEMORANDUM FOR: CHIEF, INSPECTION & SECURITY STAFF

Attention: C ]

VIA: ACTING ASSISTANT DIRECTOR FOR SPECIAL OPERATIONS

SUBJECT: "Informational Memoranda"

1. As requested by you on 4 February 1952, I herewith present my comments on "Informational Memoranda" numbers 10 and 11 of 18 December and 3 December 1951 respectively:

General

2. During the period 1 May 1949 to 1 October 1951 I was chief of the Austrian-Hungarian desk of OSO. In the course of our work my colleagues and I became aware of the multiple distribution and intelligence fabrication activities of General ZAKO's refugee organization in the French Zone of Austria. Our evidence consisted of operational reports from various stations of OSO and ZAKO information reports which were either identical or closely resembled each other, and came to the U.S. Government through many channels. My desk consequently disseminated background information concerning ZAKO to various stations of OSO who had contributed ZAKO reports to Headquarters and to other Agencies of the Government. Upon the request of the Director of Central Intelligence, I presented the ZAKO paper mill case to a meeting of the Intelligence Advisory Committee on 9 August 1951.

3. On 10 September 1951 I was visited by two representatives of the F.B.I. who were interested in details concerning the involvement of Mr. Tibor ECKHARDT in the ZAKO case. See memorandum of my minutes, a copy of which I turned over to you yesterday.

4. Between August and October, I participated in the compilation of a study on paper mills and fabrication (copy attached) in which the ZAKO case is Exhibit No. 1. ECKHARDT's "Paragram Research" organization is mentioned in the study on the chart opposite page 16 as feeding information to the F.B.I. This study, under a Secret/Control classification, has been disseminated within CIA only.

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Specific

5. Re "Informational Memorandum" No. 10, paragraph 5: I have never met Mr. Clay. I believe that Clay and I participated in an interrogation in Central Building of a returning member of the U.S. Legation in Budapest sometime last year. I had previously heard of Mr. Clay and speculated with a colleague as to who among the 20-odd persons present he might be. I have never talked to him, have never been "friendly with" him, and have never been "in contact with" him either professionally or personally. This is an accident. It appears that Clay deals with Hungarian matters in the Department of State, and liaison with him is a normal function of my office if business requires it. The qualification "unconfirmed report which we cannot evaluate" underlines the deliberate manner in which this falsehood is introduced into the record.

6. Re "Informational Memorandum" No. 11, paragraph 3: Your attention is drawn to the last sentence of this paragraph. The F.B.I. did, in fact, request details of our knowledge concerning Mr. ECKHARDT in the meeting of September 10. See minutes referred to above. I know of no channel to the writer of this "Informational Memorandum" concerning the facts of this meeting except through the persons who participated in it.

Re paragraph 6: A verbatim extract from this paragraph was furnished by Col. M. W. Pettigrew to Staff C on 10 December 1951 as coming from "one of the sources whose reports pass through my hands." Parts of the information in this paragraph closely resemble material made available by OSG to the Army, the F.B.I., the I & N S, and the Department of State. The Army, in turn, forwarded our information to the G-2, US Forces Austria, who investigated the subject of this paragraph. The sentence concerning Col. Richel and the 32-count court martial leads me to the conclusion that the leak of this paragraph occurred in Salzburg rather than in Washington, since our correspondence with other Agencies of the Government made no mention of this matter. The Hungarian desk, acting on Col. Pettigrew's extract mentioned above, queried the Austrian Station on the possible source of the information. You will be advised by separate memorandum on the Station's conclusions, which have just reached us.

Re Paragraph 8: This paragraph leads to the conclusion that the memorandum was written by Tibor ECKHARDT. There is no record in OSG that he has a contract with CIA, and the circumstances, contents, and scope of this contract are unknown to us. It is obvious in this situation that whoever runs the ECKHARDT operation takes his chances on what the latter calls his "security."

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7. There is no hiding the fact that I am disturbed by this incongruous situation. A Hungarian emigre politician, whose primary loyalty is to a right-wing emigre General, who in turn is anathema with the emigre National Council of that nationality recognized by our Government, appears to have a contract with this Agency which he uses for special pleading. In turn, neither the contract nor the operation appears to have been tied in with the background files and accumulated knowledge available to OSO. By some means as yet undetermined, an emigre politician has obtained access to true names of staff members engaged in tracking down his connections and purposes and has proceeded to attack their integrity by deliberately fabricated statements. The case presents proof of the points made in the attached study on paper mills and their political purposes.

Attachments:

1. "Informational Memoranda"  
numbers 10 and 11 (ret'd)
2. SO DB 42309, Copy No. 80

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